

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
May 17, 2001

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, May 17, 2001, at 1:00 P.M. in Conference Room A in Suite 1116, Parkway Towers, Nashville, Tennessee.

The following members were present: Janice Cunningham for Steve Adams, James Floyd for Jay Ballard, William Bruce, Gerald Reed for Riley Darnell, Leigh Ferguson, David Hayes, Harold Hunter, Ronnie Knight, Ann Butterworth for John Morgan, John Lamar for Warren Neel, Jeff Reynolds, and Jerry Sisson.

The following members were absent: Sam Bartholomew, Susan Brown, Mark Cunningham, Carolyn Flagg, Bill Long, Larry Rogers, and Calestine Williams.

Chairman David Hayes opened the meeting for public comment. No one asked to address the Board. Next, Chairman Hayes introduced Wanda Clark, from CSG Advisors Incorporated, the Agency's Financial Advisor. He declared a quorum was present and called the meeting to order. He said the Board will recess at 2:00 PM for a Bond Finance Committee meeting and will reconvene after adjournment of the Bond Finance Committee. Upon motion by Mr. Knight, seconded by Mr. Bruce, the minutes of the March 15, 2001, meeting were approved as distributed.

The first topic on the agenda was review of the Monthly Board Report. Janice Myrick, Executive Director, said a report on Contract Administration would be included during the program's transition. Kathy Whalen, Director of Contract Administration, briefly explained the information contained in the report. Ms. Myrick said this month's Board Report contains maps indicating where Contract Administration and Section 8 Rental Assistance properties are located across the state and the number of units in each county. She said the Agency's Rental Assistance program has no activity in upper East Tennessee and organizations in the area have contacted the Agency about how to remedy the lack of participation.

The report of the Grants Committee was next. Mr. Reed said the Committee considered the HOME awards for 2001. The Committee also received updates on the Bicentennial Neighborhood Initiative programs. Four communities have completed their BNI work and several are still in process. He said there was an update on lead base paint and discussion of a situation in Mt. Pleasant regarding a fair housing charge relating to a house rehabilitated with a HOME grant. Mr. Reed said the Committee discussed what appears to be a potential conflict of interest regarding a former Agency employee who went to work for a private company. Staff does not believe there is a conflict of interest and Lynn Miller, General Counsel, will be requesting a waiver under the HOME Regulations, from HUD.

Mr. Reed said there were 123 applicants for the 2001 HOME Program requesting a total of \$58,517,042. The amount available for 2001 is \$16,340,000. Mr. Reed moved to approve the scoring matrix and Mr. Ferguson seconded. Jane Boles, Director of Community Programs, said the application process was the same as past years except that the CHDO round was opened to CHDOs in urban areas. She talked briefly about multiple applications received from one county and allocations were handled with respect to the limit on the amount which can be awarded in any one county. The motion passed unanimously. A copy of the scoring matrix is attached. Mr. Reed recognized Jane Boles, Coralee Holloway, and the Community Programs Division staff for the excellent work they do on scoring the HOME applications and the presentation of the material to the Board.

Ms. Miller next discussed the potential HOME Program conflict of interest. It involves a former Agency employee who left at the end of November 2000 and joined a consulting firm involved with

HOME grants, as well as a myriad of other state and federal grants. She said the consulting firm does not contract directly with the Agency, but HOME applicants may contract with the organization to perform grant writing activity and program administration should the HOME applicant be funded. Ms. Miller said HUD concluded there is a potential for a conflict of interest and the Agency is going through the waiver process. Public disclosure of this conflict is required. The Board acknowledged receipt of information pertaining to the potential conflict of interest and the documentation will be part of the minutes of the Board meeting, which are public records of the Agency.

Next on the agenda was the report of the Policy & Programs Committee. Mr. Sisson said the Committee discussed the Direct Servicing Business Plan prepared by staff. He commended Mark Davis, Director of Mortgage Administration, and staff for their work on a thoughtful and thorough presentation. Mr. Sisson moved that the Board approve the Direct Servicing Business Plan in principle. He said this would allow staff to proceed with the process, but the expenditure of funds is not being authorized. The Business Plan provides for a one-year start-up period, the break-even point will fall in the third or fourth year, and recapture of all start-up costs will take place in the seventh year. Mr. Sisson said the Committee believes the Agency should be involved in direct servicing. Ms. Myrick said the Board will be asked to approve the budget for the program at the appropriate time. Mr. Bruce seconded and the motion passed unanimously.

Ted Fellman, Chief Financial Officer, said production is higher this month compared to the same period of time last month. Staff's projection is that production for May will reach between \$15-\$18 million.

Mr. Sisson said the Policy & Programs Committee also considered the New Start 0% Mortgage Program ("New Start 0% Program"). He said the Committee recommended Board approval of the New Start 0% Program, effective July 1, 2001, subject to the Bond Finance Committee approval of a funding source. Mr. Sisson stated Kevin O'Connell, Director of Homeownership, explained the program guidelines to the Committee. The program provides funding at 0% interest for Habitats or other non-profits participating in a new construction program for very low-income residents. The maximum loan amount will be \$60,000 and the Habitats and non-profits will service the loans and guarantee loan payments in the event of default. Upon motion by Mr. Sisson, seconded by Mr. Bruce, the Board approved implementation of the New Start 0% Program, effective July 1, 2001, for a one-year period with funding of \$5 million, subject to the availability of funds. Mr. Ferguson inquired about the secondary financing which is acceptable for the New Start program. After discussion, the Board consensus was to add language to clarify that secondary financing must be at market rate. Mr. Reynolds stated that he serves on the board for the Nashville Area Habitat for Humanity and abstained from voting.

The next item in the report of the Policy & Programs Committee was the Mortgage Program for Teachers. Mr. Sisson said staff reported there are no new developments at this time.

Mr. Sisson reported that operation of the Contract Administration program is improving. Software is being tested, HUD staff is working with Agency staff, and a staff person involved in the Contraction Administration program for the Iowa Housing Finance Agency visited and will provide a report on her assessments. Mr. Sisson said even though the last few months have been difficult, he has received comments from industry people that the Contract Administration staff have been pleasant and work hard to correct problems.

Mr. Sisson said Ms. Miller provided status reports on legal matters relating to First Republic, National First Mortgage Lenders and the tax credit petitions. There are five mortgages originated by First Republic which remain uninsured, the Agency's loss is approximately \$557,000, and staff will work with the Attorney General's Office to file suit against First Republic. He said staff has initiated litigation against National First Mortgage Lenders to pursue damages for two loans. The tax credit petitions are in

settlement discussions at this time. Mr. Sisson said one of the issues which caused this dispute has been resolved in prior and current Qualified Application Plans.

Chairman Hayes presented a 20-year service certificate to Janice Myrick. Ms. Myrick has been with the Agency for 7 years and Chairman Hayes said it has been gratifying to work with Ms. Myrick, particularly during her first year as Executive Director.

Chairman Hayes announced that the Board of Directors meeting would recess until after the Bond Finance Committee meeting.

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Chairman Hayes reconvened the meeting of the Board of Directors and stated a quorum was present. Mr. Bruce and Mr. Knight were not in attendance.

The report of the Bond Finance Committee was next. Ms. Miller stated the Bond Finance Committee approved the pricing for the Issue 2001-1. This was an economic refunding and no mortgage proceeds were generated.

Ms. Miller said the Bond Finance Committee discussed authorization for Issue 2001-2 and approved the Plan of Financing for a maximum amount of \$85 million. She said the Board resolution was revised to reflect the change from \$75 million to a maximum amount of \$85 million. The Committee recommendation is that the Board authorize the transaction. Ms. Miller said it is anticipated that Issue 2001-2 would close in August and would generate funds to make new mortgage loans. The proposed structure gives flexibility to issue short-term debt, if appropriate, to provide an additional level of subsidy for the long-term bond proceeds used to make new mortgage loans. Upon motion by Ms. Butterworth, seconded by Mr. Ferguson, the Board unanimously adopted the Issue 2001-2 Board resolution, as modified to reflect a maximum amount of \$85 million, and delegated authority to the Bond Finance Committee to finalize details of the transaction.

Next on the Bond Finance Committee report was the selection of the Financial Advisor. Ms. Miller said the Agency received six responses to its Request for Proposals for Financial Advisor. Staff evaluated the proposals and then conducted telephone interviews with three firms: Caine Mitter & Associates, CSG Advisors Incorporated ("CSG"), and US Bancorp/Piper Jaffray. After the telephone interviews and additional discussions, it was determined that CSG prepared the best proposal and performed best in the telephone interview. She said staff then opened the sealed pricing proposals for the three finalists and CSG had the lowest pricing proposal. Upon recommendation by staff, the Bond Finance Committee selected CSG as Financial Advisor for the Agency for a 3-year term. Ms. Butterworth moved that the Board approve the selection of CSG as Financial Advisor. Mr. Reed seconded and the motion passed unanimously.

Ms. Cunningham reported that the Bond Finance Committee approved the use of \$5 million for the New Start 0% Program. She said the \$5 million will be taken from the pool of 0% funds generated by Issue 2001-1.

Ms. Myrick reported on state legislation. HB 295/SB 1235 allows counties to impose a realty transfer tax that is similar to the state tax which funded the HOUSE program. The bill has been amended to exempt first-time homebuyers who qualify as low-income households under THDA's definition of low income and receive mortgage assistance from THDA, a city, a county or HUD. She said another amendment excludes any non-profit or church organization if they are involved. HB 989/SB 746 is Senator Dixon's bill asking for \$1 million out of the Agency's Housing Program Reserve Fund. This bill has been deferred and Senator Dixon is working with Shelby County to obtain \$500,000 for elderly housing in Memphis. Ms. Myrick said HB 1631/SB1602 is the bill which deals with tax credits. Senator

Ford is continuing to roll the bill at Agency staff's request. Staff scheduled a meeting with the man who apparently sponsored the bill but he did not keep the meeting.

In her report on federal legislation, Ms. Myrick said NCSHA is supporting a bill to repeal the 10-year rule. Tax credit and rural housing issues are included in that bill. At this time, none of Tennessee's Congressional delegation has signed as co-sponsors. Because of other tax bills before Congress, co-sponsor sign up is moving slowly.

Ms. Myrick said the Appalachia Housing Summit will take place in June in Prestonsburg, Kentucky. The Kentucky Housing Corporation is taking the lead and the housing finance agencies in Virginia and West Virginia, along with the Agency, are participating. Lorrie Shearon, Director of Research, Planning and Technical Services, is serving on the program committee. Ms. Myrick said Board members are invited to attend the Summit.

Ms. Myrick reported that Chairman Hayes and Mr. Sisson attended the NCSHA Spring Workshops with staff members Don Harris, Sam Epting, Larry Richardson, and Kevin O'Connell. She said there were many opportunities to talk with state housing agency staff from other states and to attend sessions on contract administration, homeownership, direct servicing, HOME and lead base paint issues.

Ms. Myrick stated the National Conference of State Housing Boards' Workshop would be held in Acme, Michigan, on August 19-21. As soon as NCSHA makes the agenda available, copies will be distributed to Board members.

Ms. Myrick said staff is moving forward with plans for the September Board of Directors meeting to be held in Memphis. The housing finance agencies in Arkansas and Mississippi are interested in meeting in Memphis for a day of training. She said she heard the Louisiana HFA expressed interest in participating.

Ms. Myrick said the Agency's Annual Report is on the THDA website.

Ms. Myrick stated a consultant paid by HUD will be meeting with staff to work on strategic planning, tax credit issues, and the Section 8 Rental Assistance homeownership voucher program. She said the consultant may want to talk to Committee chairs and Board members.

Chairman Hayes said he is still pursuing a commitment for the Agency to receive a larger share of the state's volume cap at the beginning of the calendar year as opposed to a year-end allocation. The decision is primarily for Department of Economic & Community Development to make but resistance is coming from the Department of Finance & Administration. In response to a question, Ms. Myrick said the Commissioner of ECD knows that housing was the biggest supporter of the legislation increasing the amount of volume cap allocated to the state. Chairman Hayes said he wants a front-end commitment for the increase so the Agency can do better planning to satisfy the auditors.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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